



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

FmHA AN No. 1524 (1951)

January 5, 1987

SUBJECT: Development of Realistic Long Range Farm Budgets

TO: All State Directors and State Directors-at-Large, FmHA

PURPOSE/INTENDED OUTCOME

This Administrative Notice (AN) is issued to provide guidance on the development of realistic long range agricultural commodity prices and input costs for determination of the feasibility of farm budgets following loan deferral. The intended outcome is to provide a sound basis for long term projections and assure consistency in the consideration of deferral requests.

COMPARISON WITH PREVIOUS AN

This AN updates and replaces AN 1361 dated March 12, 1986. It provides necessary information for development of farm budgets for the 1992 crop year.

IMPLEMENTATION RESPONSIBILITIES

Realistic financial projections are essential to assure that the borrower will be able to resume scheduled payments after the deferral period. Projected levels of production and expense must be supported by the borrower's history. Projected income and expense should be based on the borrower's records. If the borrower does not have income and expense records, the County Supervisor will use ASCS records, extension service data, county averages, or reliable sources of data as the basis for income and expense projections. Borrowers who intend to participate in government commodity programs should have deficiency payments and marketing loans included in their budgets.

Each State Director must establish the average price received for each agricultural commodity by county, region, or district. In most cases, this data is available from State Departments of Agriculture, State Offices of the USDA Statistical Reporting Service, or Land Grant Universities. If local data is not available, the prices that most nearly reflect local area prices must be used. Specialty enterprises prices may only be available on a statewide basis.

EXPIRATION DATE: October 31, 1987

FILING INSTRUCTION: Preceding  
FmHA Instruction 1951-A



Farmers Home Administration is an Equal Opportunity Lender.  
Complaints of discrimination should be sent to:  
Secretary of Agriculture, Washington, D.C. 20250

1524(1951)

Borrowers with adequate records to compute a weighted average price received for commodities sold in 1985 will have their 1985 actuals used in the calculations explained below. Examples of this would be milk sales, egg sales, regular (i.e. weekly, monthly) marketings of livestock or other commodities. Otherwise, the average price as determined by the State Director will be used in the calculations.

Exhibit A to this AN provides a table of the projected percentage change of prices by commodity. In many cases, projected change factors are not available for unique locally grown products, such as crawfish, guava or rabbits. Local buyers, processors, the extension service, or similar sources should be contacted to obtain the best estimates available for such products.

The percentage change indicated between 1985 and 1992 must be applied to the established 1985 commodity price to determine the expected 1992 price. The increase in cost factors must be applied to 1986 actual costs unless they are not available. The changes in cost from 1985 to 1992 are provided but are only to be used when 1986 data is incomplete or not available.

The following is an example of using price factors:

Soybeans - local 1985 average price \$5.10/bu. x 7.8 percent increase =  
\$.40/bu. + \$5.10 1985 price = \$5.50 projected 1992 price.

If you have any questions about the use of price factors, please contact Jim Radintz in FREP Division, Servicing and Property Management Branch, at FPS 475-4010.



VANCE L. CLARK  
Administrator

Attachment

Sent via electronic mail on Jan. 8, 1987 at 10:53 am. by ASD(IMPS).  
The State Director should advise other personnel as appropriate.

CASH COMMODITY PRICES

<u>Commodity</u>	<u>Projected Change 1985-1992</u>	<u>Commodity</u>	<u>Projected Change 1985-1992</u>
corn	-14.9%	tobacco	1.2%
soybeans	7.8%	milk	- 0.2%
wheat	-11.4%	cows	13.5%
barley	-20.0%	steers	19.5%
oats	-16.7%	market hogs	8.1%
milo	-14.0%	sows	8.1%
cotton	1.1%	lambs	8.7%
rice	-16.1%	wool	8.3%
potatoes	24.4%	broilers	9.3%
dry beans	26.7%	turkeys	0.0%
fruit	19.7%	eggs	24.0%
vegetables	29.9%	peanuts (quota)	8.3%
hay (all)	6.7%	peanuts (non-quota)	8.3%

non-farm income 33.1%

PRODUCTION AND LIVING EXPENSES

<u>Expense Item</u>	<u>Projected Change</u>	
	<u>1986-1992</u>	<u>1985-1992</u>
fertilizer	3.3%	- 6.0%
chemicals	5.1%	4.0%
energy (fuel, electric, ect.)	6.7%	-20.0%
seeds	10.0%	10.0%
farm machinery	14.9%	8.0%
general family living	29.2%	33.1%
other expenses	7.8%	- 1.0%

1992 TARGET PRICES

<u>Commodity</u>	<u>Price</u>
corn	2.65/bu
wheat	3.84/bu
barley	2.27/bu
oats	1.40/bu
milo	2.52/bu
cotton	.70/lb
rice	10.30/cwt